

## Message Text

SECRET

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ACTION EUR-12

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TRSE-00 SOE-02 DOE-11 CIAE-00 COME-00 /040 W  
-----007820 131706Z /43  
R 131317Z JAN 78  
FM AMEMBASSY STOCKHOLM  
TO SECSTATE WASHDC 2762

S E C R E T SECTION 1 OF 2 STOCKHOLM 0165

E.O. 11652: GDS  
TAGS: PFOR, MARR, SW, ETRD

SUBJECT: SWEDISH EXPORT OF PURELY SWEDISH TECHNOLOGY WHICH MAY  
COINCIDE WITH COCOM ITEMS

REF: STATE 6799

1. EMBASSY NOTED IN REFTEL THAT DURING MEETING OF DEPUTY ASSISTANT SECRETARY OF DEFENSE SLOCOMBE WITH MFA SECRETARY-GENERAL LEIFLAND, MS. FROST RAISED ISSUE OF ASEA EXPORT OF THREE AXES NUMERICALLY CONTROLLED MACHINE TOOL. THIS IS A MOST SENSITIVE ISSUE HERE, AND WE ARE SORRY IT WAS RAISED IN THIS MANNER. FRANKLY, WE HAD THOUGHT THE ISSUE WAS AT REST, AND BELIEVE THE EMBASSY SHOULD HAVE BEEN CONSULTED BEFORE RAISING THE ISSUE WITH LEIFLAND.

2. AS DEPARTMENT AND OTHER WASHINGTON AGENCIES WILL RECALL, WE APPROACHED THIS ISSUE EXTREMELY CAUTIOUSLY HERE, AND THOUGHT WE HAD ACHIEVED AN UNDERSTANDING THAT ASEA WOULD RECEIVE SOME "GUIDELINES" FROM THE US ON TECHNOLOGY TRANSFER. THE ASEA REP IN NO WAY COMMITTED HIS COMPANY TO FOLLOW THOSE GUIDELINES, BUT WAS WILLING TO ACCEPT "ADVICE". WHEN SWEDISH GOVERNMENT OFFICIALS GOT WIND OF THIS VERY TENTATIVE AGREEMENT, HOWEVER, THEY IMMEDIATELY TOOK ISSUE WITH IT. THE FOLLOWING COMMENTS FROM DEPUTY MINISTER OF SECRET

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INDUSTRY NIKLASSON, DURING JANUARY 11 DISCUSSIONS WITH STAFFDEL MAJAK AND JOHNSON AND EMBOFF BUTCHER, EXPAND ON SWEDISH POSITION.

3. NIKLASSON HAD EARLIER SAID GOS HAD NOT AND WOULD NOT INTERFERE IN APPLICATION OF US AND COCOM CONTROL OF RE-EXPORTS OF MATERIAL (OR KNOW-HOW) ORIGINATING FROM COCOM

COUNTRIES. THIS NON-INTERFERENCE WILL CONTINUE SO LONG AS THERE IS NO "DISTORTION OF SWEDISH POLICY". SUCH DISTORTION COULD COME FROM EXTRATERRITORIAL APPLICATION OF US LAW OR COCOM REGULATIONS WHICH WOULD REDUCE THE CREDIBILITY OF SWEDEN'S NON-ALIGNMENT POLICY. NIKLASSON SAID HE WAS "BLOODY CONCERNED" WITH INDICATIONS THAT US MAY BE PREPARED TO ATTEMPT AN "EXTENSION" OF EXISTING EXPORT CONTROL EFFORTS.

4. AFTER GENERAL DISCUSSIONS (IN WHICH INDUSTRY REPS FROM ASEA AND LM ERIKSSON TOOK PART) NIKLASSON DISCUSSED ASEA NUCON 400 EXPORT WITH STAFFDEL AND EMBOFF IN PRIVATE. HE SAID THE GOVERNMENT HAS NOT FORMALLY DISCUSSED THE ISSUE (I.E., AT THE CABINET LEVEL) SO THAT HIS COMMENTS WOULD BE PURELY PERSONAL. HE THEN WENT ON TO SAY THAT THE SWEDISH GOVERNMENT COULDN'T POSSIBLY LIVE WITH APPLICATION OF US EXPORT CONTROLS TO PURELY SWEDISH PRODUCTS INVOLVING PURELY SWEDISH TECHNOLOGY. HE EXTENDED "US APPLICATION OF CONTROLS" TO INCLUDE COMPLIANCE BY SWEDISH FIRMS WITH PURELY VOLUNTARY GUIDELINES ON TECHNOLOGY TRANSFER WHICH US MIGHT PROVIDE INFORMALLY. NIKLASSON ADDED THAT, IN THE CASE OF THE NUCON 400, IF VOLUNTARY GUIDELINES HAD BEEN ACCEPTED BY ASEA, AND IF THE FACT HAD BECOME KNOWN IN SWEDEN, THE GOVERNMENT WOULD HAVE BEEN CRUCIFIED IN PARLIAMENT. SUCH AN APPLICATION OF US SUZERAINTY OVER SWEDISH EXPORTS WOULD BE UNACCEPTABLE TO SWEDES OF EVERY  
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POLITICAL PERUSUASION. THESE COMMENTS WERE ECHOED BY LARS AKE NILSSON, NORTH AMERICAN DESK OFFICER IN MFA, WHO WAS ALSO PRESENT AT LEIFLAND MEETING IN WASHINGTON. NILSSON ALSO EMPHASIZED THAT HE SPOKE PERSONALLY NOT FOR MFA.

5. THERE WAS A MORE IMPORTANT ASPECT TO NIKLASSON'S COMMENTS, AS FAR AS WE ARE CONCERNED. EMBOFF GOT THE DISTINCT IMPRESSION THAT NIKLASSON WAS SAYING SWEDISH FIRMS WERE EXTREMELY UNLIKELY KNOWINGLY TO GO AGAINST US GUIDELINES. HIGH-TECHNOLOGY EXPORTS INVOLVING NO US COMPONENTRY ARE EXTREMELY RARE, AND SWEDISH FIRMS ARE HIGHLY UNLIKELY TO RISK THEIR SOURCES OF COMPONENTS OR THEIR MARKETS IN THE US. IN OTHER WORDS, IF WE ASK SWEDEN OFFICIALLY TO ACCEPT EXTRA-TERRITORIAL APPLICATION OF US LAW ON ITEMS OR TECHNOLOGY WHICH NEVER ORIGINATED IN A COCOM COUNTRY, THEY ARE ALMOST CERTAIN TO REFUSE. IF, ON THE OTHER HAND, WE ALLOW THEM TO GO THEIR OWN WAY, BUT KEEP SWEDISH FIRMS INFORMED OF COCOM AND US REGULATIONS REGARDING RE-EXPORT OF NON-SWEDISH COMPONENTS OF COCOM COUNTRY ORIGIN, WE HAVE EVERY REASON TO BELIEVE THEY WILL ACT IN A MANNER ACCEPTABLE TO THE US, EVEN ON PURELY SWEDISH EXPORTS.

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6. SWEDES ARE NOT, OF COURSE, GOING TO BE MORE PAPIST THAN THE POPE. ASEA REP POINTED OUT TO EMBOFF IN PRIVATE THAT A SIX REPEAT SIX AXES NC MACHINE TOOL WHICH HAD BEEN EXHIBITED IN STOCKHOLM SOME MONTHS AGO (THE FIRST TIME IT HAD BEEN SHOWN OUTSIDE US) WENT ON TO MOSCOW AFTER LEAVING SWEDEN. WE RECALL THAT THIS WAS A SIX AXES NC OF CINNCIN-NATI MILACRON DESTINED FOR EXHIBIT IN MOSCOW. IT WOULD HELP US IF WE KNEW WHETHER IT WAS ULTIMATELY LICENSED FOR SALE TO USSR, AND IF SO, UNDER WHAT LIMITATIONS.

7. EMBASSY BELIEVES IT WOULD BE A MISTAKE OF MAJOR PROPORTIONS TO FOLLOW UP ON THE NILSSON SUGGESTION OF PARA 4 IN REFTTEL THAT US AND SWEDISH REPS DISCUSS "MISUNDERSTANDINGS" IN NUCON 400 CASE. WE HAVE A MOST ACCURATE UNDERSTANDING OF THE SWEDISH POSITION (ALBEIT PERSONAL AND UNOFFICIAL). IT WILL DO US NO GOOD TO PUSH THE SWEDES INTO GIVING A NEGATIVE OFFICIAL ANSWER. THE POTENTIAL FOR MARRING OUR GOOD RELATIONS, AT A TIME WHEN THEY ARE IMPROVING MARKEDLY, IS OBVIOUS. THE GAINS IN TERMS OF RESTRUCTIONS OF TECHNOLOGY FLOWING TO THE EAST ARE MARGINAL. NEITHER NIKLASSON, NILSSON, NOR INDUSTRY REPS KNEW OF A SINGLE CASE OTHER THAN THE NUCON 400 INVOLVING EXPORT OF 100 PERCENT SWEDISH TECHNOLOGY-I.E., IN ALL OTHER CASES COCOM RE-EEXPORT RESTRICTIONS WOULD PREVENT SWEDISH EXPORTS.

8. WE URGE THAT USG DROP THIS ISSUE, AS PRESSING IT WILL  
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DEFEAT OUR OWN LARGER PURPOSES. IN THE UNLIKELY EVENT  
THAT A SIMILAR OCCASION ARISES IN THE FUTURE, WE BELIEVE  
THAT QUIET, BEHIND-THE-SCENES CONTACTS WILL HAVE DEMON-  
STRABLY SATISFACTORY RESULTS.  
KENNEDY-MINOTT

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